FROM SIDELINES TO CENTER FIELD:
INTEGRATING SUSTAINABILITY INTO A GLOBAL COMPANY

BRIEF OVERVIEW

FY 03 REVENUE: $10.7 Billion

EMPLOYEES: 23,000

SUBSIDIARIES/ DIVISIONS:

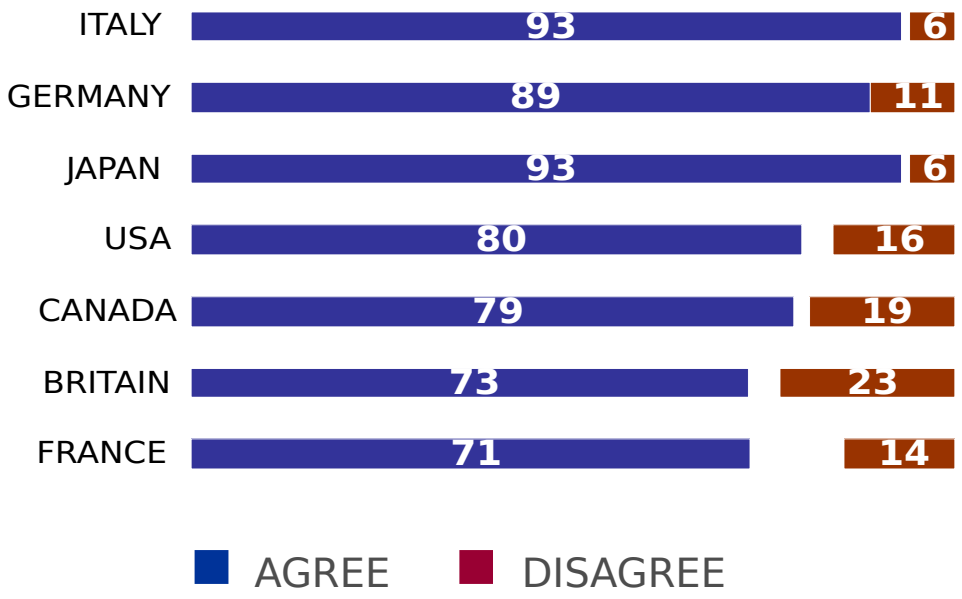
Cole Haan
Hurley
Bauer Nike Hockey
Nike Golf
Brand Jordan
Converse

Footwear	55%
Apparel	29%
Equipment	6%
Other	8%

US	44%
EMEA	30%
Asia Pacific	13%
Americas	5%
Other	8%

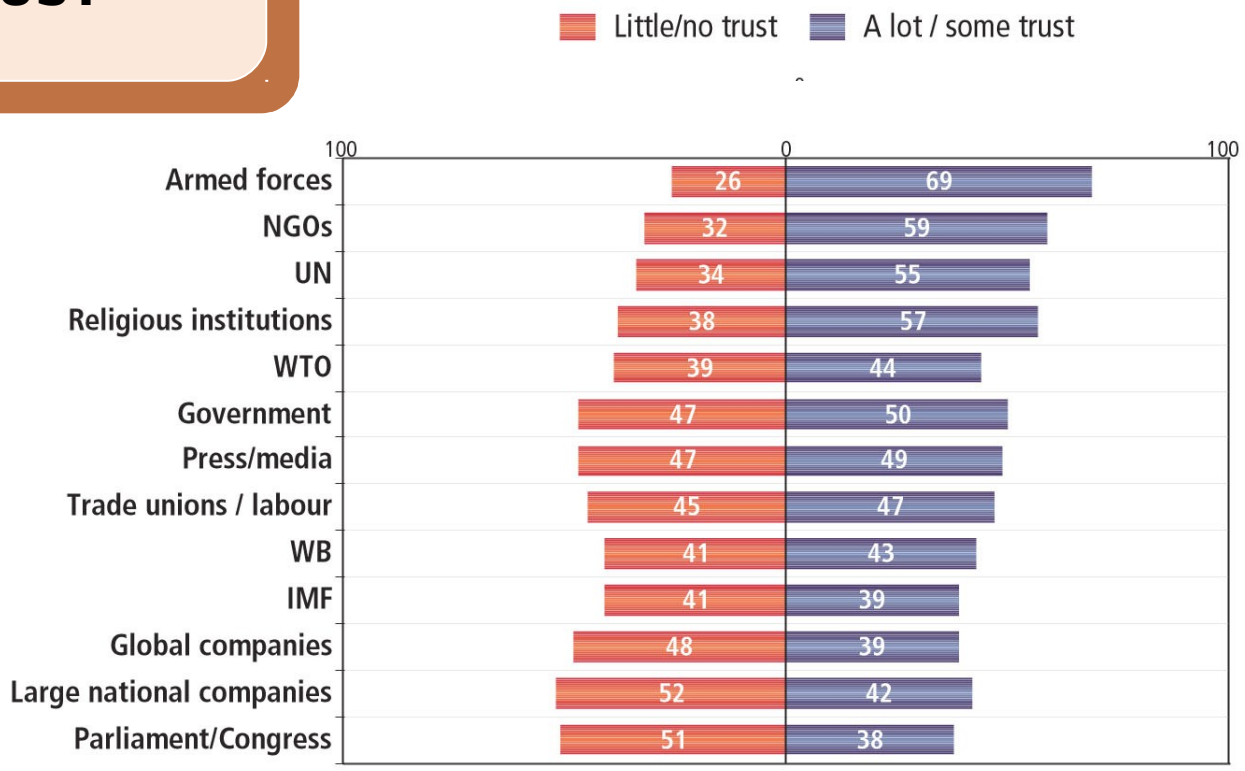
EMPLOYEE MOTIVATION

CSR Increases my Motivation and Company Loyalty:



SOURCE: Corporate Social Responsibility Monitor 2002

TRUST



SOURCE: Gallup International 2002

FROM SIDELINES……

A SHORT HISTORY

DEFINING MOMENTS - LABOR AND MEDIA

- **1992 Harpers article**
  wages, conditions
- **1996 Life Magazine**
  child labor in soccer ball industry
- **1997 Vietnam**
  air quality
- **1998 Kasky**
- **2000 Cambodia - BBC Panorama**
  child labor
- **2001 Mexmode**
  unions

DEFINING MOMENTS - ENVIRONMENT

- 1992 Environmental
- Steering Committee
- 1993 Nike Environmental
- Action Team
- 1994 Reuse A Shoe starts
- 1998 Environmental Policy
- 1999 Integration into product divisions

1993-1998- START UP PHASE

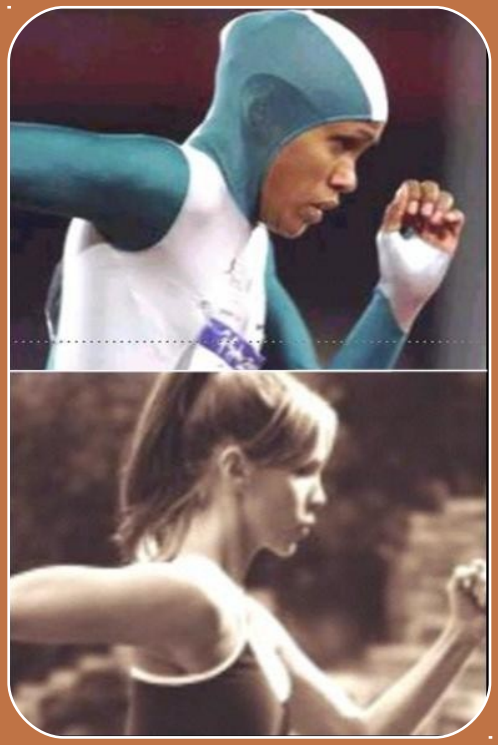
- No clear strategy
- Isolated groups
- Fragmented strategies and programs
- No links to brand
- No apparent value to consumer or inv
- Internal zealots
- Defensive response to external critici

1998-2002- GROWTH PHASE

- CR division
- External Monitoring
- Sustainability Learning Initiative
- Product division sustainability
- Regionalized community progran
- Board committee
- Stakeholder engagement
- Reporting

……TO CENTER FIELD ALIGNMENT AND INTEGRATION PHASE

MISSION STATEMENT



1990’s To be the leading sports and fitness company in the world

2001 To bring inspiration & innovation to every athlete* in the world

***“If you have a body, you are an athlete.”**

CR Goals

Nike Mission: Bring Inspiration and Innovation to Every Athlete* in the World
* - if you have a body, you are an athlete

CR Team Role: Enable Nike to Do the Right Thing
Protect and Enhance the Brand and the Company
Contribute to Profitable and Sustainable Growth

CR Team Responsibilities:
Drive delivery of long term social and environmental goals through integration with the business
Identify emerging issues and appropriate responses

Social goals:

improve lives where people

- **live**
- **work**
- **play**

Environmental goals:

act as a steward of the environment

- **zero waste, 100% product**
- **zero toxic substances**
- **100% recoverable product**

Stakeholder Engagement

Emerging Issues

Communications

o p e r a t i n g p r i n c i p l e s :

transparency accountability engagement diversity integration evolution integrity

ZERO WASTE, 100% PRODUCT

CLIMATE

WATER

SOLID WASTE

PACKAGING

Eliminate the concept of waste in products, processes and company operations by:

- Maximizing utilization of materials in product
- Maximizing re-utilization of manufacturing byproduct
- Maximizing mix of renewable or re-utilized substances as inputs for products and processes:
- Maximizing the use of renewable energy (v. fossil fuels) and eliminating greenhouse gas emissions;
- Ensuring stewardship of natural resources

ZERO TOXIC SUBSTANCES

PVC

GREEN RUBBER

ORGANIC COTTON

RSL

- comply with laws and regulations—(RSL)
- eliminate all substances known or suspected to be harmful to the health of biological or ecological systems—(go beyond RSL)
- maximize the proportion of substances that are beneficial to human and ecological systems in product and processes (Use

MANUFACTURING
INDUSTRIAL EVOLUTION
Bill McDonough has the wild idea he can eliminate waste. Surprise! Business is listening

100% RECOVERABLE PRODUCT

REUSE A SHOE

REFURBISH

SUPPLIER MATERIAL RECYCLING

OTHER MECHANISMS

- Create products and recovery systems that extend the life of Nike products, recover components/materials for reuse in Nike products, recycle the materials into other products and minimize environmental impact if disposed anywhere in the world.

IMPROVE LIVES WHERE PEOPLE WORK

CODE LEADERSHIP STANDARDS

MONITORING

GLOBAL ALLIANCE

FREEDOM OF ASSOCIATION

Global Supply Chain (as of September 2003):

- 923 contract facilities
- 52 countries
- 680,000 workers
- 88 Footwear
- 209 Equipment
- 626 Apparel

- 89 US
- 140 EMEA
- 139 Americas
- 555 Asia Pacific

IMPROVE LIVES WHERE PEOPLE LIVE

3% PRE-TAX GIVING

GIRLS EDUCATION

MICROLOANS

BACKYARD

	FY00	FY01	FY02	FY03
CASH	$9.2	$10.6	$10.2	$14.4
PRODUCT	$9.5	$18.5	$19.4	$16.3
TOTAL	**$18.7**	**$29.1**	**$29.6**	**$30.7**
% of PTI	2.5%	3.2%	3.2%	3.0%

IMPROVE LIVES WHERE PEOPLE PLAY

NIKE GO

MOVE AND INCLUDE

ACCESS

Increasing participation of young people in physical activity to improve their lives

- NIKE GO - U.S
  - Kids born today are expected to have a shorter life expectancy than their parents
  - Nearly half American youth (12-21) are not regularly active
- MOVE AND INCLUDE - EUROPE focus on social cohesion
- ASIA PACIFIC AND AMERICAS - focus on access

LESSONS LEARNED

TAKE RESPONSIBILITY

- **Recognize supply chain responsibilities**
- **Admit shortcomings**
- **Don’t be arrogant**
- **Don’t be defensive**

ENGAGE WITH YOUR STAKEHOLDERS

U.N. GLOBAL COMPACT

BOYS & GIRLS CLUBS

WWF

climate savers

Ceres

Global Reporting Initiative

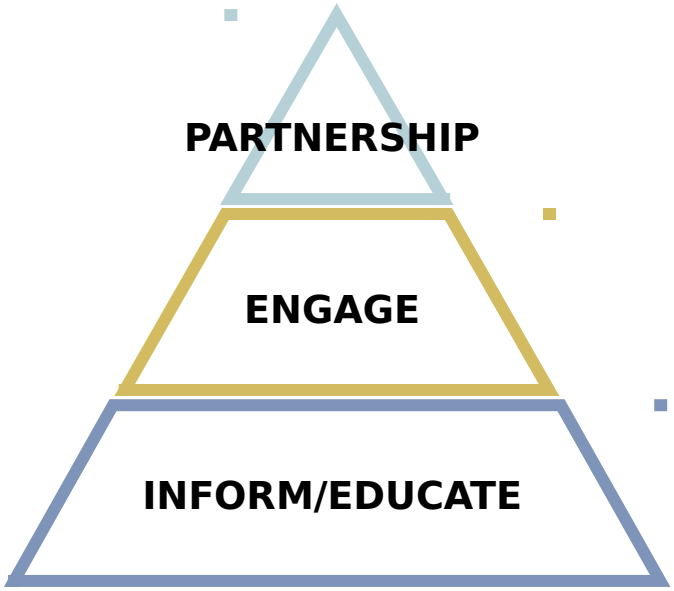
Global Alliance FOR WORKERS AND COMMUNITIES

GREENPEACE

FAIR LABOR ASSOCIATION

the NATURAL STEP

Oxfam

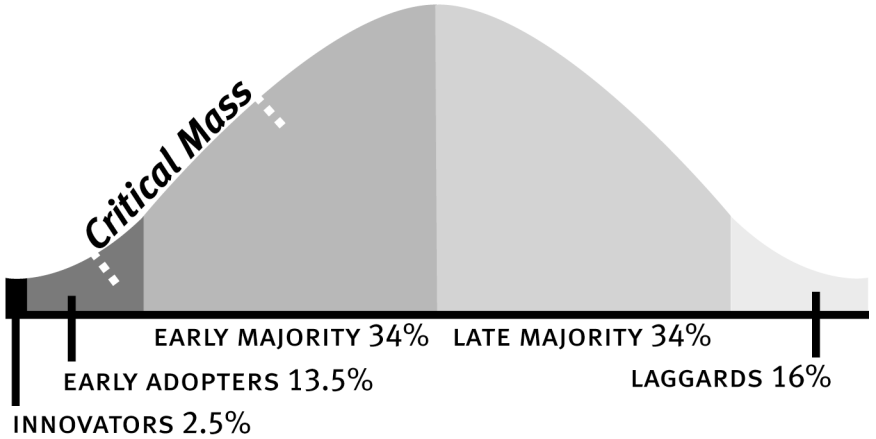


INTEGRATE CR INTO THE BUSINESS

Rate of Adoption of an Innovation Over Time

Figure 3.2

Source: Adopter Categorization on the Basis of Innovativeness
Adapted from: Rogers, 1995, pg. 262



Nike Brand Principles

INSPIRE

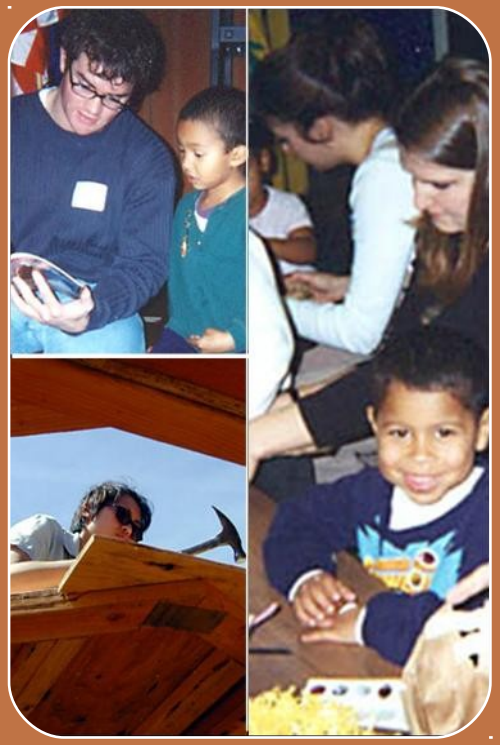
INNOVATE

FOCUS

CONNECT

CARE

PROTECT YOUR CORE



- **Forums**
- **On-line chats**
- **Employee version of CR report**
- **Emails and Intranet postings**
- **Employee factory visits**
- **Employee volunteerism**

kyosei 共生
live and work in favor of the future

"Corporate Responsibility is not something we do on the side - it is something we do in the center and it makes us a better company and a better brand. And it takes the commitment of every person who wants to be a part of this brand . . . and what we stand for."

--

Mark Parker, Co-President, Nike Inc